

Testimony on: HB 4572 (Johnson) "Public employees and officers; compensation and benefits; cap on public employer contributions to health insurance."

I urge all of you to consider the impact of this bill on local units of government that are self funded. This bill does not get to the root of the problem—which is the cost of health care. It also significantly reduces any flexibility the local has when trying to impact more change than just health care.

When a local government is self funded, it pays the cost of the claim after the deductibles and co pays, stop loss fees and administrative fees to TPAs, such as BCBS. This bill would require that employees pay a minimum (whether a percentage or hard cap amount) of the illustrative rate provided by the TPA. Mandating a contribution from employees toward the "premium" would likely change behaviors contrary to what we would like. If an employee is forced to pay up front (mandated premium sharing) for their health insurance benefit, then they are more prone to using it—and using it more frequently. The attitude becomes one of "If I have to pay for this benefit I am going to use it." The problem then becomes one of the County paying for the majority of this increased use, as we pay for all claims while the employee has only contributed to a share of the illustrative rate.

Having the flexibility locally to make these decisions, and negotiate these benefits, allows us to make changes that benefit the entire organization and overall bottom line. We would suggest changes that encourage employees to make smarter choices about how they doctor. For example, implementation of a three tiered prescription program that actually reduces the cost an employee would pay for a generic drug, more than doubles the cost of a brand name drug, and could more than triple the cost of a "formulary" drug. This is incentive for the employee to use the generic drug, and not only reduces the cost for the employee, but also the cost for the County!

Because we are self funded, effective cost sharing comes from a combination of increased deductibles, co pays and some "premium" sharing. We see the most benefit from the increased deductibles, and co pays as these encourage employees to really think before running to the doctor, as they have to pay the first dollars for the service. If they don't have claims, we have almost no cost (other than stop loss and admin fees). If they do have claims, they pay first, the County pays second.

In summary, I think all local units that are self funded will be significantly impacted financially by this bill if passed. Once again, I urge you to reconsider the language and intent of this bill.

Bridgette M. Gransden, CPA, CGFM
Administrator/Controller
Midland County
989-832-6784